

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7006

BILL NUMBER: HB 1233

DATE PREPARED: Jan 31, 2002

BILL AMENDED: Jan 30, 2002

SUBJECT: Mental Health Drugs for Medicaid Recipients.

FISCAL ANALYST: Kathy Norris

PHONE NUMBER: 234-1360

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill prohibits the use of prior authorization for certain mental health drugs under Medicaid and the Children's Health Insurance Program (CHIP). The bill provides that this prohibition does not apply to a formulary or prior authorization program operated by a managed care organization under the Medicaid or CHIP programs. It establishes procedures to follow for requiring prior authorization for other drugs under the Medicaid and CHIP programs. The bill allows the Office of Medicaid Policy and Planning to place limits on quantities dispensed or the frequency of refills for any covered drug for the purpose of preventing fraud, abuse, waste, overutilization, or inappropriate utilization or to implement disease management. It also provides that the assessment on certain facilities for the developmentally disabled and mentally retarded may not exceed 10% of the facility's total annual revenue.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) This bill places into statute certain limitations on prior authorization for prescription drugs in the Medicaid fee-for-service and CHIP programs. The bill also provides that a Medicaid fee-for-service recipient may not be denied access to or restricted in the use of a prescription drug for the treatment of a mental illness. This bill codifies a rule currently being promulgated by OMPP.

Enacting the language in statute may result in future increased pharmaceutical expenditures by limiting the flexibility of the Office should it become necessary to revise the rules. However, published research suggests that there is a significant potential for any increased pharmaceutical costs resulting from prior authorization to be exceeded by reduced expenditures in other parts of the mental health system (e.g., emergency mental health services, use of community mental health centers, and partial hospitalization).

Explanation of State Revenues: Medicaid is a cost-shared program with the federal government reimbursing approximately 62% of costs and the state contributing about 38% from General Fund

appropriations.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning, Division of Mental Health, and the Division of Disability, Aging, and Rehabilitative Services.

Local Agencies Affected:

Information Sources: Amy Brown, Legislative Liaison for the Family and Social Services Administration, (317) 232-1149. Proceedings of the Commission on Mental Health, September and October, 2002.